

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Drbzcbol t !Upx ot i jq	County Of x bzhp
Fiscal Year End 402018	Opinion Date 90018	Date Audit Report Submitted to State 220018	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) <i>but sobndpoum uf s</i>	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) <i>I f oepo! ' !Truf -!QD</i>	Telephone Number 342.: 35.79: 1		
Street Address 822!X FTU!NB!D!TUSFFU!QP!CPY!:	City <i>Gf n pou</i>	State NJ	Zip 5: 523
Authorizing CPA Signature <i>Godi DeKunjer, CPA</i>	Printed Name <i>Kpej!Ef Lvjqf s!DQB</i>	License Number 2212132291	

**CLAYBANKS TOWNSHIP  
OCEANA COUNTY, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS**

**MARCH 31, 2007**

## CLAYBANKS TOWNSHIP

### Board Members

	<u>Position</u>
Richard Smith	Supervisor
Mary Freye	Clerk
Brenda Eilers	Treasurer
David Rabe	Trustee
Ed Pankow	Trustee

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# H&S Companies

Hendon & Slate, PC  
Certified Public Accountants  
Business Consultants

Township Board  
Claybanks Township  
Oeana County, Michigan

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Claybanks Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Claybanks Township, Michigan as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 4 and 22 through 23, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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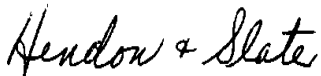
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Claybanks Township, Michigan's basic financial statements. The individual fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.

Certified Public Accountants

August 3, 2007

**CLAYBANKS TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**March 31, 2007**

**Using this Annual Report**

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**The Township as a Whole**

The Township's total net assets remained strong, increasing over \$34,000. The main reason why revenues have exceeded expenditures over that period. The table below shows a comparison between March 31, 2006 and March 31, 2007.

	Governmental Activities		Business Type Activities		Total Primary Government	
	<u>3/31/2007</u>	<u>3/31/2006</u>	<u>3/31/2007</u>	<u>3/31/2006</u>	<u>3/31/2007</u>	<u>3/31/2006</u>
Current Assets	\$ 180,839	\$ 150,733	\$ 15,115	\$ 14,153	\$ 195,954	\$ 164,886
Noncurrent Assets	10,534	8,316	28,513	29,384	39,047	37,700
Total Assets	<u>\$ 191,373</u>	<u>\$ 159,049</u>	<u>\$ 43,628</u>	<u>\$ 43,537</u>	<u>\$ 235,001</u>	<u>\$ 202,586</u>
Current Liabilities	<u>\$ 1,748</u>	<u>\$ 3,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,748</u>	<u>\$ 3,533</u>
Net Assets						
Invested in Capital Assets						
- Net of Debt	\$ 10,534	\$ 8,316	\$ 28,513	\$ 29,384	\$ 39,047	\$ 37,700
Unrestricted	178,913	147,200	15,115	14,153	194,028	161,353
Total Net Assets	<u>\$ 189,447</u>	<u>\$ 155,516</u>	<u>\$ 43,628</u>	<u>\$ 43,537</u>	<u>\$ 233,075</u>	<u>\$ 199,053</u>
Program Revenues						
Charges for Serv.	\$ 2,088	\$ 2,476	\$ 37,215	\$ 34,355	\$ 39,303	\$ 36,831
General Revenues						
Property Taxes	93,102	90,250	-	-	93,102	90,250
State Shared Rev.	56,701	56,124	-	-	56,701	56,124
Interest Income	1,600	1,137	127	122	1,727	1,259
Miscellaneous	5,214	4,236	271	134	5,485	4,370
Total Revenues	158,705	154,223	37,613	34,611	196,318	188,834
Program Expenses						
General Govt.	80,634	81,448	-	-	80,634	81,448
Public Safety	25,000	24,000	-	-	25,000	24,000
Public Works	6,272	10,040	-	-	6,272	10,040
Comm. & Econ.	9,111	7,787	-	-	9,111	7,787
Rec. & Culture	1,500	2,400	-	-	1,500	2,400
Other Functions	538	834	-	-	538	834
Unalloc. Deprec.	1,133	1,088	-	-	1,133	1,088
Park	-	-	37,522	34,594	37,522	34,594
Total Expenses	<u>124,188</u>	<u>127,597</u>	<u>37,522</u>	<u>34,594</u>	<u>161,710</u>	<u>162,191</u>
Change in Net Assets	<u>\$ 34,517</u>	<u>\$ 26,626</u>	<u>\$ 91</u>	<u>\$ 17</u>	<u>\$ 34,608</u>	<u>\$ 26,643</u>

### **Governmental Activities**

The Township's total governmental revenues increased by approximately \$2,700 due to various sources.

Current year expenditures were approximately \$3,000 less than last year.

Currently Claybanks Township has no long-term debts or commitments for capital expenditures.

### **Business-Type Activities**

The Park Fund has remained stable over the last couple of years. In March 2006 and March 2007 they have shown a small gain.

### **The Township's Funds**

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds as of March 31, 2007 include the General Fund, Fire Fund, and Park Fund. There are no non-major funds.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township Board found it necessary to amend the budget to take into account events during the year. In the General Fund, the revenue and expenditure budget stayed about the same. No major changes were made.

### **Capital Asset and Debt Administration**

At March 31, 2007, the Township had \$89,095 invested in land, buildings, and equipment. In addition, the Township has invested to maintain roads within the Township. These road expenses are not considered capital expenditures and thus not reported in the Financial Statements as such. Michigan law treats these roads as the property of Oceana County Road Commission.

### **Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2007-2008 will be similar to 2006-2007 final amended budget. The Township has budgeted an increase in General Fund revenues of approximately \$2,200 over the 2006-2007 budget. The budget for expenditures has decreased by approximately \$34,400. The township has budgeted approximately a \$4,000 profit.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's Office.



# CLAYBANKS TOWNSHIP

## Government Wide Statement of Net Assets March 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>ASSETS</b>			
Current Assets			
Cash	\$ 172,206	\$ 15,115	\$ 187,321
Accounts Receivable - Fiduciary Funds	1,178	-	1,178
Taxes Receivable	7,455	-	7,455
Property and Equipment	46,719	33,862	80,581
Accumulated Depreciation	(38,843)	(11,206)	(50,049)
Land	<u>2,658</u>	<u>5,857</u>	<u>8,515</u>
 Total Assets	 191,373	 43,628	 235,001
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	1,191	-	1,191
Due to Other Units	<u>149</u>	<u>-</u>	<u>149</u>
 Total Current Liabilities	 1,340	 -	 1,340
<b>NET ASSETS</b>			
Invested in Capital Assets			
Net of Related Debt	10,534	28,513	39,047
 Unrestricted Net Assets	 <u>179,499</u>	 <u>15,115</u>	 <u>194,614</u>
 Total Net Assets	 <u>\$ 190,033</u>	 <u>\$ 43,628</u>	 <u>\$ 233,661</u>

The Notes to the Financial Statements are an integral part of this statement

# CLAYBANKS TOWNSHIP

## Government Wide Statement of Activities March 31, 2007

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities:						
General Government	\$ 80,634	\$ 2,088	\$ -	\$ (78,546)	\$ -	\$ (78,546)
Public Safety	25,000	-	-	(25,000)	-	(25,000)
Public Works	6,272	-	-	(6,272)	-	(6,272)
Community and Econ. Dev.	9,111	-	-	(9,111)	-	(9,111)
Recreation and Culture	1,500	-	-	(1,500)	-	(1,500)
Other Functions	538	-	-	(538)	-	(538)
Unallocated Depreciation	1,133	-	-	(1,133)	-	(1,133)
Total Governmental Activities	124,188	2,088	-	(122,100)	-	(122,100)
Business-Type Activities:						
Park	37,521	37,215	-	-	(306)	(306)
Total Primary Government	<u>\$ 161,709</u>	<u>\$ 39,303</u>	<u>\$ -</u>	(122,100)	(306)	(122,406)
General Revenues:						
Property Taxes				93,102	-	93,102
State Shared Revenue				56,701	-	56,701
Interest Income				1,600	126	1,726
Miscellaneous				5,214	271	5,485
Total General Revenues				156,617	397	157,014
Change in Net Assets				34,517	91	34,608
Net Assets - Beginning				155,516	43,537	199,053
Net Assets - Ending				<u>\$ 190,033</u>	<u>\$ 43,628</u>	<u>\$ 233,661</u>

The Notes to the Financial Statements are an integral part of this statement.

# CLAYBANKS TOWNSHIP

## Governmental Fund Balance Sheet March 31, 2007

	General Fund	Fire Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 167,000	\$ 5,206	\$ 172,206
Taxes Receivable	4,960	2,495	7,455
Due from Other Funds	<u>1,178</u>	<u>-</u>	<u>1,178</u>
Total Assets	<u>\$ 173,138</u>	<u>\$ 7,701</u>	<u>\$ 180,839</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 1,191	\$ -	\$ 1,191
Due to Other Units	<u>149</u>	<u>-</u>	<u>149</u>
Total Liabilities	1,340	-	1,340
<b>FUND BALANCES</b>			
Unrestricted	<u>171,798</u>	<u>7,701</u>	<u>179,499</u>
Total Fund Balances	<u>171,798</u>	<u>7,701</u>	<u>179,499</u>
Total Liabilities and Fund Balances	<u>\$ 173,138</u>	<u>\$ 7,701</u>	<u>\$ 180,839</u>

The Notes to the Financial Statements are an integral part of this statement.

## CLAYBANKS TOWNSHIP

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Year Ended March 31, 2007

Total Governmental Fund Balances	\$	179,499
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	49,377
Governmental Accumulated Depreciation	<u>(38,843)</u>

Total Net Assets - Governmental Activities:	\$	<u><u>190,033</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

# CLAYBANKS TOWNSHIP

## Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balance March 31, 2007

	General Fund	Fire Fund	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$ 64,411	\$ 28,691	\$ 93,102
State Grants	56,701	-	56,701
Interest	1,600	-	1,600
Licenses and Permits	2,088	-	2,088
Miscellaneous	5,214	-	5,214
Total Revenues	130,014	28,691	158,705
<b>Expenditures</b>			
General Government	83,985	-	83,985
Public Safety	-	25,000	25,000
Public Works	6,272	-	6,272
Community and Economic Development	9,111	-	9,111
Recreation and Culture	1,500	-	1,500
Other Functions	538	-	538
Total Expenditures	101,406	25,000	126,406
Excess Revenue Over (Under) Expenditures	28,608	3,691	32,299
Fund Balance - Beginning	143,190	4,010	147,200
Fund Balance - Ending	\$ 171,798	\$ 7,701	\$ 179,499

The Notes to the Financial Statements are an integral part of this statement.

## CLAYBANKS TOWNSHIP

### Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 32,299
Amounts reported for governmental activities in the statement of activities are different because:	
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense.	
Capital outlay reported in governmental fund statements	3,351
Capital Outlay reported as expense in Statement of Activities	-
Depreciation expense reported in the statement of Activities	<u>(1,133)</u>
Changes in Net Assets - Governmental Activities	<u><u>\$ 34,517</u></u>

The Notes to the Financial Statements are an integral part of this statement.

# CLAYBANKS TOWNSHIP

## Proprietary Fund Statement of Net Assets - Park Fund March 31, 2007

	<u>Park Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 15,115
Noncurrent Assets	
Land	5,857
Buildings	33,862
Less Accumulated Depreciation	<u>(11,206)</u>
Total Noncurrent Assets	<u>28,513</u>
Total Assets	<u><u>\$ 43,628</u></u>
<b>NET ASSETS</b>	
Invested in Capital Assets	28,513
Unrestricted	<u>15,115</u>
Total Net Assets	<u><u>\$ 43,628</u></u>

The Notes to the Financial Statements are an integral part of this statement

# CLAYBANKS TOWNSHIP

## Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets - Park Fund For the Year Ended March 31, 2007

	Park Fund
Operating Revenues	
Camping Permits	\$ 37,215
Miscellaneous	271
	<hr/>
Total Revenues	37,486
Operating Expenses	
Salaries and Wages	17,354
Payroll Taxes	1,308
Supplies	1,981
Security Guards	2,691
Dues and Permits	478
Transportation	233
Printing and Publishing	164
Insurance and Bonds	2,991
Utilities	3,500
Repairs and Maintenance	4,843
Bank Charges	549
Professional Services	558
Depreciation	871
	<hr/>
Total Operating Expenses	37,521
Operating Income (Loss)	(35)
Non-Operating Revenue (Expense)	
Interest Income	126
	<hr/>
Change in Net Assets	91
Net Assets - Beginning	43,537
	<hr/>
Fund Balance - Ending	\$ 43,628
	<hr/>

The Notes to the Financial Statements are an integral part of this statement.



## CLAYBANKS TOWNSHIP

### Proprietary Fund Statement of Cash Flows For the Year Ended March 31, 2007

	Park Fund
Cash Flows from Operating Activities	
Receipts from Customers	\$ 37,215
Receipts from Miscellaneous	271
Payments for Employees	(18,661)
Payments for Other Operating Expenses	<u>(17,989)</u>
Net Cash Provided (Used) by Operating Activities	836
Cash Flows from Investing Activities	
Interest Income	<u>126</u>
Net Increase in Cash	962
Cash at Beginning of Year	<u>14,153</u>
Cash at End of Year	<u><u>\$ 15,115</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (35)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	<u>871</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 836</u></u>

The Notes to the Financial Statements are an integral part of this statement.

# CLAYBANKS TOWNSHIP

## Statement of Net Assets - Fiduciary Funds March 31, 2007

	<u>Tax Funds</u>
<b>ASSETS</b>	
Cash and Investments	<u>\$      1,178</u>
 <b>LIABILITIES AND NET ASSETS</b>	
 Liabilities	
Due to Other Units	<u>\$      1,178</u>

The Notes to the Financial Statements are an integral part of this statement.

## CLAYBANKS TOWNSHIP

Notes to the Financial Statements  
For the Year Ended March 31, 2007

### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Claybanks Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Claybanks Township.

#### A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for property taxes, which are recognized as revenue in the year incurred, as under accrual accounting. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

##### 1 Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2006 delinquent taxes of \$7,455 were not received as of March 31, 2007 and were therefore recorded as a receivable.

The 2007 taxable valuation of the Township totaled \$44,908,898 on which ad valorem taxes levied consisted of 1.25 mills for general operating, and .6753 for fire operational. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for the resources of property tax revenues and charges for services that are restricted for fire fighting operations.

The government reports the following major governmental funds:

The Park Fund accounts for the operating activities of the park.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for services. Operating expenses for the proprietary fund include the cost of operating and maintaining the sewer system. All operating revenue and expenses not meeting this criteria are reported as non-operating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Fund Equity - Designations and reservations of fund balance and retained earnings represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance exist in the General Fund for amounts to be spent on building improvements and equipment. Reservations of retained earnings exist in the Sewer Fund for debt service as these assets are reserved for redemption of long-term debt.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building Improvements	15 years
Office Equipment	5 years
General Equipment	5 years

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

Notes to the Financial Statements (continued)

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit did not incur expenditures in which were materially in excess of the amounts appropriated.

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated Shelby State Bank for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CD's, bankers' acceptances of United States banks, and mutual funds under the Investment Company Act of 1940, but not the remainder of State statutory authority as listed below:

Investment pools through an inter local agreement under the Urban Cooperation Act of 1967,

The investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118

The Township's deposits and investments policy are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Business- Type Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 172,206	\$ 15,115	\$ 1,178	\$ 188,499

Notes to the Financial Statements (continued)

The bank balance of the Township's deposits is \$203,875, of which \$120,000 is covered by federal depository insurance, and \$83,875 is uninsured.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

NOTE D CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

<u>Class</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets not being depreciated				
Land	\$ 658	\$ 2,000	\$ -	\$ 2,658
Capital Assets being Depreciated				
Buildings	\$ 45,368	\$ -	\$ -	\$ 45,368
Capital Assets being depreciated				
Equipment	-	1,351	-	1,351
Less Accumulated Depreciation for Buildings	37,710	1,088	-	38,798
Less Accumulated Depreciation for Equipment	-	45	-	45
Net Capital Assets Being Depreciated	7,658	218	-	7,876
Total Governmental Activities				
Capital Assets - Net of Depreciation	<u>\$ 8,316</u>	<u>\$ 2,218</u>	<u>\$ -</u>	<u>\$ 10,534</u>



Notes to the Financial Statements (continued)

**Business-Type Activities**

Capital Assets not being Depreciated

Land	\$ 5,857	\$ -	\$ -	\$ 5,857
------	----------	------	------	----------

Capital Assets being Depreciated

Buildings	33,862	-	-	\$ 33,862
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Less Accumulated Depreciation for

Buildings	<u>9,463</u>	<u>871</u>	<u>-</u>	<u>\$ 10,335</u>
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Net Capital Assets Being Depreciated

	<u>24,399</u>	<u>(871)</u>	<u>-</u>	<u>23,527</u>
--	---------------	--------------	----------	---------------

Total Business-Type Activities Capital

Capital Assets - Net of Depreciation	<u>\$ 30,256</u>	<u>\$ (871)</u>	<u>\$ -</u>	<u>\$ 29,384</u>
--------------------------------------	------------------	-----------------	-------------	------------------

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities

Unallocated	<u>\$ 1,133</u>
-------------	-----------------

Business-Type Activities

Operating	<u>\$ 871</u>
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NOTE E PENSION PLAN

The Township provides pension benefits to all of its elected officials through a defined contribution plan administered by Municipal Retirement Systems Incorporated. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 12% of each eligible employee's salary to the plan. Participants are not required to contribute to the plan. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately upon deposit of the contribution by the Township.

The Township's total payroll during the current year was \$71,046 and the total pension expense, including fees, was \$4,232. The Township's covered payroll amounted to \$42,909.

NOTE F RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

# CLAYBANKS TOWNSHIP

## Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended March 31, 2007

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ 143,190	\$ 143,190	\$ 143,190	\$ -
Resources (Inflows)				
Property Taxes	42,638	42,638	48,794	6,156
PTAF	16,000	16,000	15,617	(383)
State Shared Revenue	57,502	57,502	56,701	(801)
Cemetery Lot Sales	800	800	1,100	300
Interest	1,200	1,200	1,600	400
Refunds and Reimbursements	-	-	217	217
Licenses and Permits	2,500	2,500	2,088	(412)
Miscellaneous	3,300	3,300	3,897	597
Amounts Available for Appropriation	<u>267,130</u>	<u>267,130</u>	<u>273,204</u>	<u>6,074</u>
Charges to Appropriations (Outflows)				
General Government	98,700	99,264	83,985	15,279
Public Works	12,000	12,000	6,272	5,728
Community and Econ. Dev.	10,000	10,000	9,111	889
Recreation and Cultural	1,500	1,500	1,500	-
Other Functions	36,281	35,717	538	35,179
Total Charges to Appropriation	<u>158,481</u>	<u>158,481</u>	<u>101,406</u>	<u>57,075</u>
Budgetary Fund Balance - March 31, 2007	<u>\$ 108,649</u>	<u>\$ 108,649</u>	<u>\$ 171,798</u>	<u>\$ 63,149</u>

# CLAYBANKS TOWNSHIP

## Required Supplementary Information Budgetary Comparison Schedule for the Fire Fund For the Year Ended March 31, 2007

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 4,010	\$ 4,010	\$ 4,010	\$ -
Resources (Inflows)				
Property Taxes	<u>27,569</u>	<u>27,569</u>	<u>28,691</u>	<u>1,122</u>
Amounts Available for Appropriation	<u>31,579</u>	<u>31,579</u>	<u>32,701</u>	<u>1,122</u>
Charges to Appropriations (Outflows)				
Public Safety	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total Charges to Appropriation	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Budgetary Fund Balance - March 31, 2007	<u>\$ 6,579</u>	<u>\$ 6,579</u>	<u>\$ 7,701</u>	<u>\$ 1,122</u>

# CLAYBANKS TOWNSHIP

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended March 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes	\$ 42,638	\$ 48,794	\$ 6,156
Property Tax Administration Fee	16,000	15,617	(383)
State Shared Revenue	57,502	56,701	(801)
Cemetery Lot Sales	800	1,100	300
Interest on Investments	1,200	1,600	400
Refunds and Reimbursements	-	217	217
Licenses and Permits	2,500	2,088	(412)
Miscellaneous	<u>3,300</u>	<u>3,897</u>	<u>597</u>
Total Revenues	123,940	130,014	6,074
Expenditures			
General Government			
Township Board			
Salaries and Wages		3,600	
Taxes and Fringes		4,232	
Printing & Publishing		338	
Payroll Expense		4,370	
Professional Services		5,055	
Insurance and Bonds		4,366	
Transportation		106	
Telephone		<u>139</u>	
	27,000	22,206	4,794
Supervisor			
Salaries and Wages		7,800	
Transportation		<u>-</u>	
	8,000	7,800	200
Elections			
Salaries and Wages		2,598	
Professional Services		447	
Printing and Publishing		25	
Supplies		24	
Transportation		133	
Miscellaneous		<u>134</u>	
	\$ 4,000	\$ 3,361	\$ 639

Statement of Revenues, Expenditures and  
Changes in fund Balance - General Fund (continued)

Clerk

Salaries and Wages - Clerk		\$	9,867	
- Deputy			633	
Office Supplies			735	
Transportation			361	
Professional Services			199	
Telephone			368	
Miscellaneous			250	
Capital Outlay			<u>1,351</u>	
	\$	13,764	13,764	\$ -

Treasurer

Salaries and Wages - Clerk			9,655	
- Deputy			410	
Office Supplies			1,367	
Professional Services			2,503	
Software upgrades			767	
Mileage & Travel			<u>100</u>	
	15,000		14,802	198

Assessor

Salaries and Wages			11,155	
Supplies			468	
Land Splits			250	
Software Upgrades			577	
Professional Services			<u>363</u>	
	15,000		12,813	2,187

Township Hall and Grounds

Supplies			142	
Utilities			3,821	
Other Services and Charges			295	
Repairs and Maintenance			448	
Capital Outlay			<u>-</u>	
	10,000		4,706	5,294

Board of Review

Salaries and Wages			420	
Printing and Publishing			243	
Transportation			26	
Education & Training			388	
Miscellaneous			<u>58</u>	
	\$	1,500	\$ 1,135	\$ 365

Statement of Revenues, Expenditures and  
Changes in fund Balance - General Fund (continued)

Cemetery			
Professional Services		\$ 302	
Other Services and Charges		168	
Repairs and Maintenance		928	
Capital Outlay		<u>2,000</u>	
	<u>\$ 5,000</u>	<u>3,398</u>	<u>\$ 1,602</u>
Total General Government	99,264	83,985	15,279
Public Works			
Highways, Streets and Bridges			
Contracted Services		6,173	
Supplies		<u>99</u>	
Total Public Works	12,000	6,272	5,728
Community and Economic Development			
Zoning			
Salaries and Wages		7,305	
Office Supplies		775	
Professional Services		37	
Printing and Publishing		704	
Transportation		150	
Education and Training		20	
Miscellaneous		<u>120</u>	
Total Community and Econ. Dev.	10,000	9,111	889
Recreation and Culture			
Library	1,500	1,500	-
Other Functions			
Contingency	<u>35,717</u>	<u>538</u>	<u>35,179</u>
Total Expenditures	<u>158,481</u>	<u>101,406</u>	<u>57,075</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (34,541)</u>	28,608	<u>\$ 63,149</u>
Fund Balance - April 1, 2006		<u>143,190</u>	
Fund Balance - March 31, 2007		<u>\$ 171,798</u>	

# H&S Companies

Hendon & Slate, PC  
Certified Public Accountants  
Business Consultants

August 13, 2007

Mary Freye

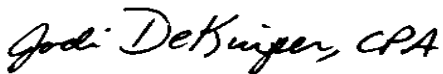
Claybanks Township Clerk  
7577 W. Cleveland Road  
New Era, MI 49446

As a result of our recent examination of the books and records of your Township for the fiscal year ended March 31, 2007, enclosed please find:

1. Seven (7) copies of the audit report.
2. Seven (7) copies of the Comments and Recommendations letter.
3. Seven (7) copies of the Internal Control letter.
4. One (1) copy of Form F-65.
5. One (1) copy of the Auditing Procedures Report.

Should any questions arise on the enclosed materials, please call upon us.

Respectfully submitted,



Jodi DeKuiper, CPA  
Hendon & Slate, P.C.

Grand Rapids  
3986 Lake Michigan Dr. NW  
Grand Rapids, MI 49546  
Phone (616) 453-8551  
Fax (616) 453-9352

Muskegon  
4985 South Harvey Street  
Muskegon, MI 49444  
Phone (231) 798-1040  
Fax (231) 798-8409

Fremont  
711 West Main Street  
Fremont, MI 49412  
Phone (231) 924-6890  
Fax (231) 924-4088  
Toll Free (800) 924-6891

Montague  
4538 Dowling Street  
Montague, MI 49437  
Phone (231) 893-6772

Hart  
1550 N. Industrial Park Drive  
Hart, MI 49420  
Phone (231) 873-5611  
Fax (231) 873-7033

[www.hscompanies.com](http://www.hscompanies.com)

# H&S Companies

Hendon & Slate, PC  
Certified Public Accountants  
Business Consultants

August 4, 2007

Township Board  
Claybanks Township  
.  
New Era, MI 49309

Dear Board Members:

In connection with our recent examination of the Financial Statements of Claybanks Township for the fiscal year ended March 31, 2007, we offer the following comments and recommendations:

## BOOKS AND RECORDS

The Clerk and Treasurer did a great job of maintaining complete, accurate, and well organized books and records. It was a pleasure working with both Diane and Dorothy during the engagement. We appreciate the courtesy extended to us during the course of the audit.

## Chart of Accounts

The Michigan Department of Treasury issued an updated Uniform Chart of Accounts for Counties and Local Units of Government in 2002. Although the Township is properly recording the transactions and budgets, some of the accounts are using the previous account numbers. We recommend that the Township review the enclosed updated Uniform Chart of Accounts and make the necessary changes.

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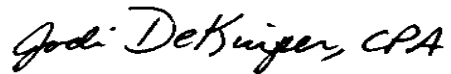


Cash

The General Fund, Road Fund and the Fire Fund share a pooled checking account. Money from each fund can be combined into a single checking account; The township did a great job in separating and identifying the cash to each fund.

We would like to thank the board for the opportunity to provide your March 31, 2007 audit. We will be happy to assist in the implementation of any of the recommendations mentioned in this letter or answer any questions or concerns you may have. We look forward to working with you in the future.

Respectfully Submitted,

A handwritten signature in black ink that reads "Jodi DeKuiper, CPA". The signature is written in a cursive, flowing style.

Jodi DeKuiper, CPA  
Hendon & Slate, PC

# H&S Companies

Hendon & Slate, PC  
Certified Public Accountants  
Business Consultants

Board Members,  
Big Prairie Township  
Newaygo County,  
New Era, MI

In planning and performing our audit of the financial statements of Big Prairie Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Big Prairie Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Prairie Township's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies .

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Grand Rapids  
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Fax (231) 873-7033

[www.hscompanies.com](http://www.hscompanies.com)

Anti-Fraud Program

The Township has not adopted an Anti-Fraud Program as required by SAS 99.

Controls over Non-Routine and Non-Systematic Transactions

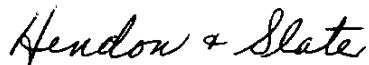
The Township does not have controls in place whereby adjusting journal entries are reviewed by individuals independent of the person initiating the transactions.

Controls over the Selection and Application of Accounting Principles that are in Conformity with Generally Accepted Accounting Principles

The Township currently does not have personnel available with sufficient expertise to select and apply the accounting principles necessary to prepare the financial statements and note disclosures contained in the audit report.

This communication is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.  
Certified Public Accountants  
August 3, 2007